

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Evart Housing Commission	County Osceola
Fiscal Year End 12/31/2006	Opinion Date 3/20/2007	Date Audit Report Submitted to State 5/7/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

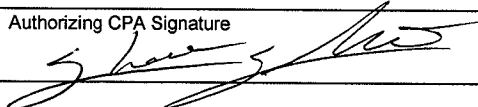
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None Issued	
Other (Describe)	<input type="checkbox"/>	NA	
Certified Public Accountant (Firm Name) Anderson, Tackman & Co., PLC		Telephone Number 906-774-4300	
Street Address 201 E. Hughitt		City Iron Mountain	State MI
		Zip 49801	
Authorizing CPA Signature 	Printed Name Shane M. Ellison, CPA		License Number 263063

EVART HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended December 31, 2006

EVART HOUSING COMMISSION

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:

L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:

Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Evert Housing Commission
Evert, Michigan

We have audited the accompanying basic financial statements of the business-type activities of the Evert Housing Commission as of and for the year ended December 31, 2006 as listed in the Table of Contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Evert Housing Commission as of December 31, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2007 on our consideration of the Evert Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Evart Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The Financial Data Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, if fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

March 20, 2007

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Evert Housing Commission's financial performance provides an overview of the financial activities for the year ended December 31, 2006. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$2,074,627 for the year ended December 31, 2006 compared to \$2,082,204 for the year ended December 31, 2005.
- The Commission's operating revenues totaled \$488,152 for the year ended December 31, 2006 and \$473,340 for the year ended December 31, 2005, while operating expenses totaled \$663,204 for the year ended December 31, 2006 and \$637,288 for the year ended December 31, 2005.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows (on pages 9 to 11) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities"? The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help cover all or most of the costs of services it provides.

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

THE COMMISSION AS A WHOLE

The Commission's combined net assets for the year ended December 31, 2006 decreased \$(7,577) from the year ended December 31, 2005.

Table 1

NET ASSETS

	December 31,	
	2006	2005
Assets		
Current assets	\$ 497,517	\$ 489,120
Capital assets (net)	<u>1,633,153</u>	<u>1,657,757</u>
Total assets	<u>2,130,670</u>	<u>2,146,877</u>
Liabilities		
Current liabilities	54,672	63,325
Noncurrent liabilities	<u>1,371</u>	<u>1,348</u>
Total liabilities	<u>56,043</u>	<u>64,673</u>
Net Assets		
Invested in capital assets, net of related debt	1,633,153	1,657,757
Unrestricted	<u>441,474</u>	<u>424,447</u>
Net Assets	<u>\$2,074,627</u>	<u>\$2,082,204</u>

Net assets of the Commission stood at \$2,074,627 for the year ended December 31, 2006 compared to \$2,082,204 for the year ended December 31, 2005. Unrestricted net business assets were \$441,474 for the year ended December 31, 2006 compared to \$424,447 for the year ended December 31, 2005. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The increase in current assets was largely due to a \$5,344 increase in cash. The decrease in current liabilities was largely due to a \$3,716 decrease in accounts payable and a \$7,903 decrease in accrued wages/payroll taxes payable.

Table 2**CHANGE IN NET ASSETS**

	Year Ended December 31,	
	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 233,130	\$ 247,733
Program grants and subsidies	385,891	391,721
General revenues:		
Other revenues	18,201	6,402
Unrestricted investment earnings	<u>18,405</u>	<u>11,226</u>
Total revenues	655,627	657,082
Program Expenses:		
Operating expenses	<u>663,204</u>	<u>637,288</u>
Change in net assets	(7,577)	19,794
Net assets - beginning of period	<u>2,082,204</u>	<u>2,062,410</u>
Net assets - end of period	<u>\$2,074,627</u>	<u>\$ 2,082,204</u>

BUSINESS – TYPE ACTIVITIES

Revenues for the Commission totaled \$655,627 for the year ended December 31, 2006 compared to \$657,082 for the year ended December 31, 2005. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had decreased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The increase in operating expenses was largely due to a \$4,647 increase in administrative expenses, a \$6,673 increase in utility costs, a \$6,356 increase in maintenance expenses, and a \$4,407 decrease in general expenses.

CAPTIAL ASSETS

Capital Assets

The Commission had \$5,517,334 invested in a variety of capital assets including land, equipment and buildings for the year ended December 31, 2006 compared to \$5,366,831 for the year ended December 31, 2005.

Table 3

CAPITAL ASSETS Business - Type Activity

	December 31,	
	2006	2005
Land and improvements	\$ 905,167	\$ 892,751
Building and improvements	4,348,450	4,202,474
Equipment	<u>263,717</u>	<u>271,606</u>
Total	5,517,334	5,366,831
Less accumulated depreciation	<u>(3,884,181)</u>	<u>(3,709,074)</u>
NET CAPITAL ASSETS	<u>\$1,633,153</u>	<u>\$1,657,757</u>

The Commission invested \$160,407 in capital assets during the year ended December 31, 2006.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's appointed officials considered many factors when setting the budget for the calendar year 2007. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2007 budget process.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Karen Higgins, at 601 W. First Street, Evart, Michigan 49631, or call 231-734-3301.

EVART HOUSING COMMISSION

STATEMENT OF NET ASSETS **Proprietary Fund**

December 31, 2006

CURRENT ASSETS:	
Cash and equivalents	\$ 489,222
Accounts receivable	4,523
Prepaid expenses	<u>3,772</u>
TOTAL CURRENT ASSETS	<u>497,517</u>
NONCURRENT ASSETS:	
Capital assets	5,517,334
Less accumulated depreciation	<u>(3,884,181)</u>
NET CAPITAL ASSETS	<u>1,633,153</u>
TOTAL ASSETS	<u>2,130,670</u>
CURRENT LIABILITIES:	
Accounts payable	8,657
Accrued liabilities	45,565
Other current liabilities	<u>450</u>
TOTAL CURRENT LIABILITIES	<u>54,672</u>
NONCURRENT LIABILITIES	<u>1,371</u>
TOTAL LIABILITIES	<u>56,043</u>
NET ASSETS:	
Investment in capital assets, net of related debt	1,633,153
Unrestricted net assets	<u>441,474</u>
NET ASSETS	<u>\$ 2,074,627</u>

The accompanying notes to financial statements are an integral part of this statement.





EVART HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2006

FUNCTIONS/PROGRAMS	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Public Housing	\$ 663,204	\$ 233,130	\$ 239,797	\$ 146,094
				\$ (44,183)
BUSINESS-TYPE ACTIVITIES:				
General revenues:				
Unrestricted investment earnings				18,405
Other				18,201
Total general revenues				36,606
Changes in net assets				(7,577)
NET ASSETS, beginning of year				2,082,204
NET ASSETS, end of year				\$ 2,074,627

The accompanying notes to financial statements are an integral part of this statement.

EVART HOUSING COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE
IN NET ASSETS
Proprietary Fund**

For the Year Ended December 31, 2006

OPERATING REVENUES:

Tenant revenue	\$ 233,130
Program grants-subsidies	239,797
Other income	<u>15,225</u>

TOTAL OPERATING REVENUES	<u>488,152</u>
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OPERATING EXPENSES:

Administration	163,567
Tenant services	1,116
Utilities	74,648
Maintenance	131,783
Protective services	459
General	49,800
Housing assistance payments	54,513
Casualty losses - non-capitalized	2,308
Depreciation	<u>185,010</u>

TOTAL OPERATING EXPENSES	<u>663,204</u>
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OPERATING (LOSS)	<u>(175,052)</u>
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NONOPERATING REVENUES AND (EXPENSES):

Capital grants	146,094
Interest income	18,405
Gain on sale of capital assets	<u>2,976</u>

TOTAL NONOPERATING REVENUES AND (EXPENSES)	<u>167,475</u>
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CHANGE IN NET ASSETS	(7,577)
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NET ASSETS, BEGINNING OF YEAR	<u>2,082,204</u>
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NET ASSETS, END OF YEAR	<u>\$ 2,074,627</u>
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**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to financial statements are an integral part of this statement.

EVART HOUSING COMMISSION

STATEMENT OF CASH FLOWS Proprietary Fund

For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 230,882
Cash received from grants and subsidies	239,797
Cash payments to suppliers for goods and services	(251,625)
Cash payments for wages and related benefits	(220,022)
Cash payments for payment in lieu of taxes	(15,285)
Other receipts	14,910

NET CASH (USED) BY OPERATING ACTIVITIES (1,343)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	146,094
Acquisition of capital assets	(160,407)
Proceeds from sale of capital assets	2,976

NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES (11,337)

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment income	18,024
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NET CASH PROVIDED FROM INVESTING ACTIVITIES 18,024

NET INCREASE IN CASH AND EQUIVALENTS 5,344

CASH AND EQUIVALENTS, BEGINNING OF YEAR 483,878

CASH AND EQUIVALENTS, END OF YEAR \$ 489,222

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (175,052)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	185,010
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(2,563)
Decrease (Increase) in prepaid expenses	(109)
Increase (Decrease) in accounts payable	(3,716)
Increase (Decrease) in accrued liabilities	(4,913)

NET CASH (USED) BY OPERATING ACTIVITIES \$ (1,343)

The accompanying notes to financial statements are an integral part of this statement.

EVART HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Evart Housing Commission (Commission) was formed by the Evart City Commission under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the City of Evart.

The Commission manages 109 units of low rent public housing units and 19 section 8 vouchers of which, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the Evart Housing Commission, nor is the Commission a component unit of another entity.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

EVART HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Proprietary Funds are used to account for operations, (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.



EVART HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$250 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in two components:

- 1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.



EVART HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS (Continued)

2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interprogram Activity:

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on January 1st. The operating budget includes proposed expenses and the means of financing them. Prior to December 31st, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to December 31st.



EVART HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE B - CASH AND INVESTMENTS

Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 100
Checking accounts	18,762
Savings and money market accounts	<u>470,360</u>
 TOTAL	 <u>\$489,222</u>

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. State law does not require, and the Commission does not have a policy for deposit custodial credit risk. As of December 31, 2006, the Commission's cash and equivalents were not exposed to credit risk due to them being fully insured.

NOTE C - CAPITAL ASSETS

A summary of capital assets for the year ended December 31, 2006 is as follows:

	Balance 1-1-06	Additions	Deletions	Balance 12-31-06
Land and improvements	\$ 892,751	\$ 12,416	\$ -	\$ 905,167
Building and improvements	4,202,474	145,976	-	4,348,450
Equipment	271,606	2,014	(9,903)	263,717
Construction in progress	<u>-</u>	<u>146,095</u>	<u>(146,095)</u>	<u>-</u>
	5,366,831	<u>\$ 306,501</u>	<u>\$ (155,998)</u>	5,517,334
Accumulated depreciation	<u>(3,709,074)</u>	<u>\$ (185,010)</u>	<u>\$ 9,903</u>	<u>(3,884,181)</u>
Net capital assets	<u>\$1,657,757</u>			<u>\$1,633,153</u>

Depreciation expense for the year was \$185,010.



EVART HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE E - USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended December 31, 2006 totaled \$655,627 of which \$385,891 or 58.9% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

NOTE G- PENSION PLAN

The Commission has established a SEP-IRA plan of which the Commission contributes 8% of qualified wages. To be eligible, an employee must have three continuous years of service. Additionally, the percentage contributed is based upon total number of years of service. The Commission contributions to the Plan during the year amounted to \$6,061.



**SUPPLEMENTAL
INFORMATION**



EVART HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

December 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<u>ASSETS</u>					
CURRENT ASSETS:					
Cash:					
111	Cash - unrestricted	\$ 453,186	\$ 35,586	\$ -	\$ 488,772
113	Cash - other restricted	450	-	-	450
100	Total cash	453,636	35,586	-	489,222
Accounts and notes receivables:					
125	Accounts receivable - miscellaneous	315	-	-	315
126	Accounts receivable- tenants	3,646	-	-	3,646
126.1	Allowance for doubtful accounts - tenants	(1,097)	-	-	(1,097)
129	Accrued interest receivable	1,659	-	-	1,659
120	Total receivables, net of allowances for doubtful accounts	4,523	-	-	4,523
Other current assets:					
142	Prepaid expenses	3,772	-	-	3,772
144	Interprogram due from	11,557	-	-	11,557
150	TOTAL CURRENT ASSETS	473,488	35,586	-	509,074

See accompanying notes to financial statements



EVART HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

December 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
NONCURRENT ASSETS:					
Fixed assets:					
161	Land	35,851	-	-	35,851
162	Buildings	4,065,435	-	283,015	4,348,450
163	Furniture, equipment & machinery - dwellings	70,763	-	-	70,763
164	Furniture, equipment & machinery - administration	166,387	1,284	25,283	192,954
165	Leasehold improvements	855,111	-	14,205	869,316
166	Accumulated depreciation	(3,857,492)	(1,161)	(25,528)	(3,884,181)
160	Total fixed assets, net of accumulated depreciation	1,336,055	123	296,975	1,633,153
180	TOTAL NONCURRENT ASSETS	1,336,055	123	296,975	1,633,153
190	TOTAL ASSETS	\$ 1,809,543	\$ 35,709	\$ 296,975	\$ 2,142,227

LIABILITIES AND NET ASSETS

LIABILITIES:

CURRENT LIABILITIES

312	Accounts payable ≤ 90 days	\$ 8,587	\$ 70	\$ -	\$ 8,657
322	Accrued compensated absences - current portion	6,264	-	-	6,264
333	Accounts payable - other government	15,285	-	-	15,285
341	Tenant security deposits	19,451	-	-	19,451
342	Deferred revenues	4,565	-	-	4,565

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

EVART HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

December 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
345	Other current liabilities	108	342	-	450
347	Interprogram due from	-	11,557	-	11,557
310	TOTAL CURRENT LIABILITIES	54,260	11,969	-	66,229
354	Accrued compensated absences - non current	1,371	-	-	1,371
350	TOTAL NONCURRENT LIABILITIES	1,371	-	-	1,371
300	TOTAL LIABILITIES	55,631	11,969	-	67,600
<u>NET ASSETS</u>					
508.1	Investment in capital assets, net of related debt	1,336,055	123	296,975	1,633,153
512.1	Unrestricted net assets	417,857	23,617	-	441,474
513	TOTAL NET ASSETS	1,753,912	23,740	296,975	2,074,627
600	TOTAL LIABILITIES AND NET ASSETS	\$ 1,809,543	\$ 35,709	\$ 296,975	\$ 2,142,227

See accompanying notes to financial statements



EVART HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

For the Year Ended December 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<u>REVENUES</u>					
703	Net tenant rental revenue	\$ 226,113	\$ -	\$ -	\$ 226,113
704	Tenant revenue - other	7,017	-	-	7,017
705	Total tenant revenue	233,130	-	-	233,130
706	HUD PHA grants	126,255	72,765	40,777	239,797
706.1	Capital grants	-	-	146,094	146,094
711	Investment income - unrestricted	18,291	114	-	18,405
714	Fraud recovery	-	265	-	265
715	Other revenue	14,960	-	-	14,960
716	Gain/loss on sale of fixed assets	2,976	-	-	2,976
700	TOTAL REVENUE	395,612	73,144	186,871	655,627
<u>EXPENSES</u>					
Administrative:					
911	Administrative salaries	95,614	4,138	-	99,752
912	Auditing fees	2,300	300	-	2,600
914	Compensated absences	3,300	(32)	-	3,268
915	Employee benefit contributions- administrative	23,173	687	-	23,860
916	Other operating- administrative	26,854	6,213	1,020	34,087
	Total Administrative	151,241	11,306	1,020	163,567

See accompanying notes to financial statements



EVART HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended December 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
Tenant services:					
924	Tenant services - other	1,116	-	-	1,116
Utilities:					
931	Water	14,835	-	-	14,835
932	Electricity	22,739	-	-	22,739
933	Gas	37,074	-	-	37,074
	Total Utilities	74,648	-	-	74,648
Maintenance:					
941	Ordinary maintenance and operations - labor	72,581	-	-	72,581
942	Ordinary maintenance and operations - materials & other	21,218	-	-	21,218
943	Ordinary maintenance and operations - contract costs	19,626	-	-	19,626
945	Employee benefit contributions- ordinary maintenance	18,358	-	-	18,358
	Total Maintenance	131,783	-	-	131,783
952	Protective services	459	-	-	459

See accompanying notes to financial statements



EVART HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended December 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
General expenses:					
961	Insurance premiums	33,791	-	-	33,791
963	Payments in lieu of taxes	15,285	-	-	15,285
964	Bad debts - tenant rents	724	-	-	724
	Total General Expenses	49,800	-	-	49,800
969	TOTAL OPERATING EXPENSES	409,047	11,306	1,020	421,373
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(13,435)	61,838	185,851	234,254
972	Casualty losses - non-capitalized	2,308	-	-	2,308
973	Housing assistance payments	-	54,513	-	54,513
974	Depreciation expense	164,851	131	20,028	185,010
900	TOTAL EXPENSES	576,206	65,950	21,048	663,204
Other financing sources (uses)					
1001	Operating transfers in	39,757	-	-	39,757
1002	Operating transfers out	-	-	(39,757)	(39,757)
1010	Total other financing sources (uses)	39,757	-	(39,757)	-

See accompanying notes to financial statements



EVART HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended December 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (140,837)	\$ 7,194	\$ 126,066	\$ (7,577)
MEMO account information					
1103	Beginning equity	\$ 1,767,235	\$ 16,546	\$ 294,954	\$ 2,078,735
1104	Prior Period Adjustments, Equity Transfers	\$ 127,514	\$ -	\$ (124,045)	\$ 3,469
1113	Maximum Annual Contributions Commitment (Per ACC)	\$ -	\$ 72,765	\$ -	\$ 72,765
1115	Contingency Reserve, ACC Program Reserve	\$ -	\$ -	\$ -	\$ -
1116	Total Annual Contributions Available	\$ -	\$ 72,765	\$ -	\$ 72,765
1120	Unit months available	1,308	230	-	1,538
1121	Number of unit months leased	1,127	230	-	1,357
1117	Administrative fee equity	\$ -	\$ 15,645	\$ -	\$ 15,645
1118	Housing assistant payments equity	\$ -	\$ 7,972	\$ -	\$ 7,972

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Board of Commissioners
Evert Housing Commission
Evert, Michigan

We have audited the financial statements of Evert Housing Commission as of and for the year ended December 31, 2006, and have issued our report thereon dated March 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Evert Housing Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Evert Housing Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Evert Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Evert Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

Anderson Tackman & Co. P.C.

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

March 20, 2007

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

